

Message Text

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ACTION EB-08

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SUBJ: US-UK CIVAIR NEGOTIATIONS

REF: STATE 62635

1. POST ASSESSMENT OF LOCAL GOVERNMENTAL ATTITUDE ON CIVAIR
NEGOTIATIONS FOR BERMUDA MARKET REQUESTED PARA 4 REFTEL FOLLOWS:

(1) NO ADDITIONAL UK ROUTE REQUESTS LIKELY; BRITISH AIRWAYS
(BA) VOLUNTARILY RELINQUISHED OPERATION OF NEW YORK-BERMUDA ROUTE
EFFECTIVE 1 JAN 1977 DUE TO ECONOMIC CONSIDERATIONS. HOWEVER,
BRITISH WILL PRESUMABLY WISH TO RETAIN AUTHORITY TO OPERATE ROUTE.
BERMUDA'S MINISTER OF MARINE AND AIR SERVICES PLOWMAN (WHO IS
REPRESENTING BERMUDA AT TALKS) RECENTLY DECLARED DURING LEGISLATIVE
COUNCIL DEBATE THAT "THE RIGHT WHICH B.A. CURRENTLY HAS TO CARRY
PASSENGERS BETWEEN NEW YORK AND BERMUDA SHOULD BE RETAINED EITHER
BY A BRITISH OR (A HYPOTHETICAL) BERMUDIAN CARRIER. WHILST ONE
HAS TO LOOK AT THE FINANCIAL AND ECONOMIC SIDE ALSO THERE IS THE
PRACTICAL ASPECT OF RETAINING A SERVICE WE WANT TO HAVE AND HAVE
SOME DEGREE OF CONTROL OVER." IN RECENT INFORMAL CONVERSATION WITH
CONGEN, PLOWMAN APPEARED SATISFIED THAT U.K. NEGOTIATORS WILL
SUPPORT BERMUDA'S DESIRE TO MAINTAIN RIGHTS TO BRITISH (OR
BERMUDIAN) NY-BERMUDA ROUTE.

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(2) LOCAL ATTITUDE LIKELY TO FAVOR STATUS QUO ROUTES FOR U.S.
AIRLINES ON WHICH BERMUDA ENTIRELY DEPENDENT FOR TRANSPORT OF
CIRCA 400,000 TOURISTS FROM U.S. ANNUALLY.

(3) LOCAL ATTITUDE LIKELY TO FAVOR GREATER LEVEL OF U.S.
FLAG SERVICES IN FUTURE. BERMUDA AUTHORITIES HAVE LONG SOUGHT

ADDITIONAL SERVICE FROM CHICAGO AND INTRODUCTION OF NON-STOP SERVICE TO SOUTHEASTERN U.S., SEEN AS KEY ELEMENTS IN EXPANDING THE COLONY'S POTENTIAL TOURIST MARKET (MOST OF BERMUDA'S AMERICAN TOURISTS ARE NOW DRAWN FROM WASHINGTON-NEW YORK-BOSTON "NORTHEAST CORRIDOR"). BERMUDA WOULD REGARD ANY MOVE TOWARD LESSER LEVEL OF U.S. FLAG SERVICE AS PORTENDING ECONOMIC DISASTER FOR THE COLONY (TOURIST EXPENDITURES NOW ACCOUNT FOR 60 TO 70 PER CENT OF BERMUDA'S GNP) AND ANY BRITISH ACTIONS WHICH THREATENED TO EFFECT THIS RESULT WOULD LIKELY CAUSE MAJOR CRISIS IN UK-BERMUDA RELATIONS.

(4) LOCAL ATTITUDE FAVORS EXISTING SERVICE BY MULTIPLE U.S. AIRLINES ON CITY-PAIR ROUTES AND WOULD BE UNLIKELY TO OBJECT TO EXTENSION OF THIS AUTHORITY.

(5) BERMUDA AUTHORITIES WOULD ENCOURAGE CONTINUANCE OF EXISTING REGIME WHEREBY CARRIERS FREE TO DETERMINE LEVELS OF CAPACITY; THIS PROVISION HAS SERVED BERMUDA WELL IN THE PAST, PARTICULARLY DURING PEAK SEASONS.

(6) FIFTH FREEDOM TRAFFIC NOT A FACTOR IN US-BERMUDA TRAVEL MARKET.

(7) EXISTING TARIFF ARTICLE POSES NO PROBLEMS FOR LOCAL AUTHORITIES BUT HAS PRESENTED DIFFICULTIES FOR US FLAG CARRIERS OPERATING HERE. BERMUDA HAS THUS FAR USED TARIFF ARTICLE TO BLOCK (A) LOCAL IMPLEMENTATION OF AIR FARE INCREASES (TOTALING SIX PER CENT) GRANTED BY CAB SINCE 1974, AND (B) CAB-ORDERED CUT IN EXCESS BAGGAGE CHARGES.

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2. POST ASSUMES USDEL FULLY AWARE OF FOLLOWING BACKGROUND INFORMATION. BERMUDA IS EXPECTED TO ATTAIN FULL INDEPENDENCE FROM UK BY EARLY 1980'S. ONCE INDEPENDENT, BERMUDA WILL PRESUMABLY BE ELIGIBLE TO NEGOTIATE SEPARATE BILATERAL CIVAIR TREATY WITH US. ANOTHER UNIQUE SITUATION PERTAINING TO BERMUDA IS FACT THAT COLONY'S CIVIL AIR TERMINAL UTILIZES RUNWAYS AND AIR TRAFFIC ONTROL FACILITIES OF US NAVAL AIR STATION HERE. THESE FACTORS SHOULD BE BORNE IN MIND IF BRITISH ATTEMPT TO TRADE CONCESSIONS ON BERMUDA MARKET AS VEHICLE FOR WINNING US APPROVAL OF A COMPREHENSIVE CIVAIR PACKAGE.

3. IN SUMMARY, LOCAL ATTITUDE WILL UNQUESTIONABLY FAVOR US OBJECTIVES OF STATUS QUO ROUTES, MAINTENANCE OF CURRENT CAPACITY PROVISIONS AND SAME TARIFF ARTICLES AS FOR NORTH ATLANTIC. PRESENT US-BERMUDA ARRANGEMENTS MUTUALLY PROFITABLE FOR US FLAG CARRIERS SERVING THE COLONY AND FOR LOCAL TOURIST INDUSTRY (WHICH IN ITSELF REPRESENTS SUBSTANTIAL AMERICAN INVESTMENT). BERMUDA AUTHORITIES WILL WISH TO SEE NEW AGREEMENT REACHED BY 22 JUNE TO AVOID ANY

POSSIBILITY OF INTERFERENCE WITH NORMAL AIR SERVICE DURING JULY,
AUGUST AND EARLY SEPTEMBER, THE COLONY'S BUSIEST TOURIST SEASON.
BERMUDA'S OBSERVORS AT MOST RECENT LONDON TALKS GARNERED IMPRESSION
THAT NEW UK CHIEF NEGOTIATOR SHOVELTON WOULD BE MORE FLEXIBLE THAN
PREDECESSOR ROGERS PROVED TO BE.

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